



State of Washington

Office of Financial Management:

Statewide Agency Performance Assessment

Final Report

January 21, 2003



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January 13, 2002

Mr. Jim Hedrick
Office of Financial Management
Insurance Building
302 14th Avenue
Olympia, Washington 98504-3113

Subject: Project Deliverables – KPMG Final Report for Phase Two – Performance Assessment Report and Agency Scorecards (Work Request No.: 0105-02-02/03-06, Contract # 30400)

Dear Mr. Hedrick,

Attached is the KPMG January 13, 2002 Final Performance Assessment Report and Agency Scorecards per Work Request No.: 0105-02-02/03-06, Contract # 30400.

The Final reports are being submitted both in hard copy (10 copies each) and electronically.

Please review these deliverables and indicate your agreement by signing the acceptance section on the following page. Should you have any questions or comments, please do not hesitate to contact me directly at (206) 913-4496 or John O'Malley at (503) 796-7668.

Very truly yours,

KPMG LLP

A handwritten signature in black ink that reads "Karen Saunders". The signature is written in a cursive, flowing style.

Karen Saunders
Partner

Please indicate agreement and acceptance of these deliverables by signing below:

Accepted on behalf of the Office of Financial Management (OFM), State of Washington by:

Name: _____

Signature: _____

Title: _____

Date: _____

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Executive Summary

Chapter One: Project Background and Methodology

On July 22, 2002 the State of Washington Office of Financial Management (OFM) engaged KPMG LLP to conduct and document a performance assessment of 88 state agencies. This project addresses the provisions of Section 127 of Engrossed Substitute Bill 6387, supplemental operating budget. During the course of the project the OFM reduced the scope of the performance assessment to include 54 state agencies¹.

The purpose of this assessment was to assess target agency performance according the following six attributes:

- Program effectiveness;
- Quality and process management practices;
- Internal and external customer satisfaction;
- Independent and internal audit functions;
- Fiscal productivity and efficiency; and
- Statutory and regulatory compliance.

In order to satisfy the project objectives, the KPMG team developed a project plan consisting of detailed work steps designed to address the scope of work. Upon acceptance of the project work plan by OFM's project manager, the KPMG team completed work plan tasks associated with the scope of this study. Specifically, KPMG drafted a performance assessment questionnaire, interviewed appointed representatives of the target agencies using the approved questionnaire, obtained and reviewed agency supporting documentation, performed follow-up interviews and data-gathering as appropriate, constructed assessment scorecards for each agency, and drafted a written report.

In the course of this project, the KPMG team employed several procedures to satisfy the project objectives. This methodology included developing a questionnaire, drafting an introduction letter, conducting preparatory activities (i.e. preliminary agency research), interviewing agency personnel, completing agency assessments, and drafting a final report.

During the course of this project, KPMG encountered constraints and limitations presenting special factors that should be considered in the interpretation of the project results. KPMG noted the following constraints and limitations in conjunction with this project:

- **Unaudited Source Material:** KPMG did not audit, or research the validity of the information and/or statements provided by the agencies. As such, KPMG cannot attest to the accuracy of the information supplied to support the assessment.

¹ During the course of project fieldwork, the OFM removed 34 agencies from the original assessment list. See Appendix B for listing.

- **Agency Representation:** The KPMG team noted that agencies which appointed knowledgeable personnel to represent them in their responses to us, tended to receive higher performance ratings.

Chapter Two: Summary of Activities and General Observations

We contacted 73 state departments, boards and commissions to conduct our performance assessment interviews and conducted the following major steps in our performance assessment protocol:

- **Introduction:** KPMG worked with the Office of Financial Management (OFM) and drafted an introduction letter informing the agencies of our basic approach to the performance assessment and outlining the guidelines for rating each of the attributes as well as sample evidence potentially required to support agency ratings.
- **Questionnaire Validation:** The KPMG team revised the initial questionnaire following validation with the first increment of participating agencies. Appendix A contains the interview questionnaire used during the assessment.
- **Interview Scheduling and Initial Document Request:** Upon receiving responses to our introduction letter, we contacted agencies to schedule a sixty to ninety minute performance assessment interview. KPMG also requested a copy of their current strategic plan as well as any other documentation they felt would be relevant to the discussion based on their review of the assessment questionnaire.
- **Preliminary Research:** Prior to conducting our interviews, we conducted preliminary research on each agency. This included reviewing the agency's internet website, their strategic plans, and the OFM websites for their Activity Summaries, Performance Progress Reports, State Auditor, and Joint Legislative and Review Committee audit reports, etc.
- **Assessment Interview and Request for Supporting Documentation:** We conducted a performance assessment interview with each of the agencies responding to our introduction letter. We requested that agencies provide documentation supporting their assertions to us following the interview.
- **Review of Supporting Documentation and follow-up:** Upon receipt of the documentation we had requested, we completed our assessment of the agencies' performance based on interview notes and a review of the documentation they provided to us.
- **Performance Assessment Write-up:** We used the data we had collected through our interviews and document requests to write performance assessments for each agency.

The following points summarize our general observations in conjunction with this assessment.

- **Assessment Instrument:** Given the breadth of the specified performance criteria, we recognized the need to develop an assessment instrument applicable to not only the large state agencies, but also the small boards and commissions. This limited our ability to ask specific

questions to which agencies could prepare answers, but provided an opportunity for target agencies to discuss the initiatives they considered to be most successful in the context of the criteria contained in the assessment questionnaire.

- **Response Rate:** We found that the response rate to our introduction letter was very good. We believe that the strong support we received from the OFM played a key role in securing such a high number of responses for those agencies contacted.
- **Agency Perspective:** Although larger agencies were able to understand the purpose of this assessment clearly, some of the smaller agencies without quality assurance and internal audit functions appeared unsure of the types of projects or initiatives that would satisfy the criteria listed in the questionnaire. However, the KPMG team was able to work with the majority of such agencies to clearly communicate the needs of the performance assessment project and obtain information that accurately reflected their level of performance.
- **Agency Preparedness:** KPMG found the majority of the agencies participating in the assessment to be well prepared and approach this project in a highly professional manner.
- **Sufficiency of Data:** We based our performance assessment scorecards on the information that target agencies provided to us during their assessment interviews, and subsequent substantiation of that information through appropriate and relevant documentation. While a majority of the respondents were able to provide relevant supporting data for most criteria, a few provided inadequate data, or failed to provide data to support certain criteria. This had a negative impact on their performance scorecard ratings.

Chapter Three: Trend Analysis

The object of our assessment was to rate each of the respondents in the context of the six criteria supplied by OFM. These six criteria were:

- Program effectiveness;
- Quality and process management practices;
- Internal and external customer satisfaction;
- Independent and internal audit functions;
- Fiscal productivity and efficiency; and
- Statutory and regulatory compliance.

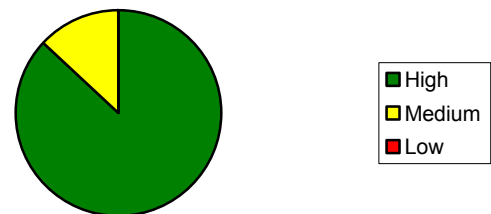
This chapter presents our definitions of these criteria as well as a summary of statewide trends according to these criteria as observed through our assessment efforts.

Based on the procedures and methodologies discussed in Chapter One, most agencies reviewed in conjunction with this project receive high marks in the first two aforementioned subject criterion. Agencies occasionally receive lower grades in the independent and internal audit functions criteria as a result of potential non-compliance with internal audit regulations stated in the State Administrative Accounting Manual. In this following section, we discuss trends across each of the subject criterion in more detail.

Program Effectiveness

The effectiveness of state agencies is often defined by accomplishing program goals, achieving performance targets, and successfully serving agency customers. However, because the scope of the assessment does not provide for an in-depth review of agency performance data, we define program effectiveness as the ability of an agency to refine and focus its mission and efforts through its strategic planning process.

Figure 1: Program Effectiveness



Overall, the agencies considered in this assessment receive high marks for program effectiveness. These ratings appear to be indicative of the governing for results philosophy espoused by the Governor and largely result from several state agency quality requirements mandated in Executive Order 97-03 “Quality Improvement”.

Figure 1: Represents a percentage distribution of the ratings noted under this criterion.

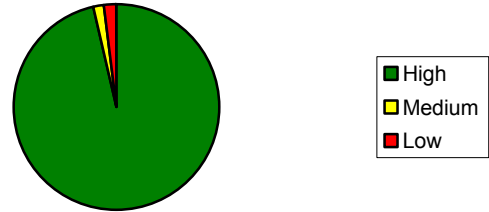
Quality and Process Management Practices

We define quality and process management practices in the context of an agency's quality assurance function. Successful agencies utilize a functioning quality assurance role that monitors progress toward established goals and objectives, ensures processes are efficiently producing quality outputs. Quality and process management practices are often evidenced through statewide or national recognition for best practices and/or agency quality initiatives.

Given the top-down emphases on governmental quality originating from the Governor's Office, KPMG observed that the majority of agencies had some internal mechanism to promote and review quality initiatives and most agencies provided evidence of award-winning/innovative processes, best practices and/or quality service.

(Figure 2 represents a percentage distribution of the ratings awarded under this criterion).

Figure 2: Quality and Process Management



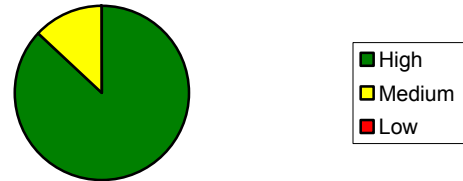
Internal and External Customer Satisfaction

We define internal and external customer satisfaction as the ability of an agency to maintain sufficient communication with its main internal and external stakeholders and customer groups in an effort to increase customer satisfaction. While customer feedback can be obtained and documented through a variety of means, maintaining customer satisfaction is a product of using feedback and creating initiatives to better serve agency customers and stakeholders.

Most agencies have successfully defined their key stakeholders and use an appropriate methodology to obtain customer feedback and were able to provide evidence of a new policy, technological enhancement, or initiative that was implemented in response to customer feedback.

(Figure 3 represents a percentage distribution of the ratings we awarded under this criterion).

Figure 3: Internal and External Customer Satisfaction

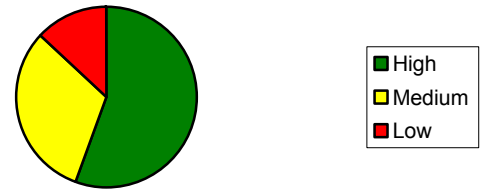


Independent and Internal Audit Functions

In order to define independent and internal audit functions, KPMG deferred to the internal audit requirements stated in Chapter 20 of the State Administrative and Accounting Manual (SAAM). These requirements dictate that state agencies, at a minimum, are to appoint a senior manager as their internal control officer, conduct an annual agency-wide risk assessment, and establish an internal audit program.

Overall, most large agencies have budgeted resources for an internal audit department and/or a full-time internal control officer. We discovered that most large and medium agencies with an internal control officer function had also performed the required risk assessment and had drafted an audit program to address high-risk areas. However, we observed that a number of agencies had not designated an internal control officer, conducted a risk assessment, or drafted an internal audit program as required by the SAMM. This criteria provided to be the weakest collective area observed during the course of this assessment.

Figure 4: Independent and Internal Audit Functions



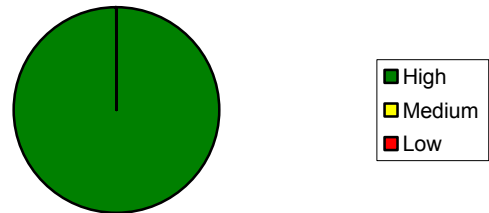
We also observed that the scope of many risk assessments submitted by state agencies appear to solely encompass financial and accounting departments and processes. While these areas are often inherently risky due to the presence of public funds and resources, agencies could increase the scope of a risk assessment to encompass all operational functions of an agency.

(Figure 4 represents a percentage distribution of the ratings we awarded under this criterion.)

Fiscal Productivity and Efficiency

Given the wide range of agencies reviewed in conjunction with this assessment, we adopted a broad view of fiscal productivity and efficiency. As such, we asked agencies to provide evidence of revenue optimization within the context of the agency's core responsibilities. In addition to revenue optimization, we also requested that agencies provide evidence that agency spending/expenditures are monitored on a regular basis.

Figure 5: Fiscal Productivity and Efficiency



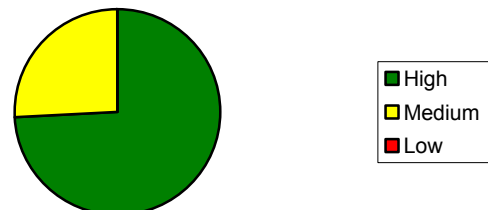
Agencies were generally able to provide examples of innovative ways to optimize revenues within their mandates and statutory directives. Additionally, all agencies reviewed provided evidence that they formally monitor expenditures on a regular basis.

(Figure 5 represents a percentage distribution of the ratings we awarded under this criterion.)

Statutory and Regulatory Compliance

In order to determine if agencies operate within their relevant statutes and regulations, KPMG reviewed recent State Auditor's Office (SAO) and Joint Legislative Audit Review Committee (JLARC) reports. An agency received a favorable rating if no instances of non-compliance were noted in

Figure 6: Statutory and Regulatory Compliance



SAO or JLARC reports over the last three years. Conversely, an agency received a poor rating if it did not take steps to sufficiently resolve audit issues.

We observed that the majority of state agencies considered in this assessment have not received findings from the SAO or JLARC within the last three years. Of those agencies that received findings, KPMG consulted the SAO and JLARC websites as well as confirmed with the subject agency that any audit issues were adequately addressed.

(Figure 6 represents a percentage distribution of the ratings we awarded under this criterion.)

Chapter Four: Potential Better Practices

During the course of this assessment, we observed several activities conducted by various agencies that, if shared, could potentially increase the performance or effectiveness of other state agencies. Although all agencies may not be able to take advantage of each practice listed below due to differing size, capacity, or governing mandates, agencies should consider the utility of the following items:

- **Revised Code of Washington (RCW) Linked to Agency Performance Measures:** This planning tool, developed by the Department of Ecology, provides agency management and policy makers added assurance that each RCW mandate is properly accounted for and measured by the agency.
- **Fast-track Training Materials:** To ensure that its employees use the OFM's Fast-track system properly, the Department of Licensing developed an in-house training program for authorized users.
- **Balanced Scorecard Software:** To supplement its strategic plan, the Department of Retirement Services implemented an automated balanced scorecard tracking system allowing immediate access to how well DRS is performing according to the plan.
- **Program Level Balanced Scorecards:** In addition to their agency-wide balanced scorecards, the Department of Retirement Services and the Department of Licensing both have implemented a balanced scorecard reporting process for each of its operating divisions and selected sub-divisions.
- **Performance Improvement Plans:** The Department of Licensing implemented a formal performance improvement planning process for divisions or sub-divisions not meeting performance targets.
- **Internal Performance Agreements:** Based on the performance agreement model used by the Governor and agency Directors, the Department of Social and Health Services requires that agency Assistant Directors and Program Managers each submit a performance agreement to the agency Director.
- **Internal Control Checklist:** Although the Board of Accountancy does not have a significant scope nor budget for an internal audit, the Director developed an internal control questionnaire to ensure the agency maintains a strong internal control environment.

- **Small Agency Client Services:** The Caseload Forecast Council obtained resources from OFM’s Small Agency Client Services (SACS) program to conduct its annual risk assessment. SACS has also provided other services to small agencies including accounting, budgeting, tax preparation, and payroll.

Appendix A: Assessment Questionnaire

Appendix B: Agencies Removed from Performance Assessment

Appendix C: Agency Scorecards

Based on the procedures and methodology discussed in Chapter One, we prepared assessment scorecards for each agency participating in this project according to the six aforementioned criteria. In order to report the agency performance the agencies with respect to each criterion, we developed a “stoplight” rating system for each criteria. A description of each indicator is as follows:

- **Green Light:** Agencies receiving a green light rating appear to have demonstrated a high level of performance in the subject criterion. Although agencies receiving a green light rating should be commended for their efforts, agency staff should continually seek opportunities for self-improvement.
- **Yellow Light:** Agencies receiving a yellow light rating appear to have demonstrated some progress in the subject criterion, but opportunities for improvement remain. As such, the agency should consider focusing attention in the subject criterion to increase performance in this area.
- **Red Light:** Agencies receiving a red light rating appear to have demonstrated minimal achievement in the subject criterion and agency management should take immediate steps to improve performance in the relevant areas.

The following table contains the ratings for each agency participating in the performance assessment project. The agencies are represented in alphabetical order.

Chapter One: Project Background and Methodology

Project Background

On July 22, 2002 the State of Washington Office of Financial Management (OFM) engaged KPMG LLP to conduct and document a performance assessment of 88 state agencies. This project addresses the provisions of Section 127 of Engrossed Substitute Bill 6387, supplemental operating budget. On October 7, 2002 the OFM reduced the scope of the performance assessment to include 54 state agencies².

The purpose of this assessment was to assess target agency performance according the following six attributes:

- Program effectiveness;
- Quality and process management practices;
- Internal and external customer satisfaction;
- Independent and internal audit functions;
- Fiscal productivity and efficiency, and
- Statutory and regulatory compliance.

In order to satisfy the project objectives, the KPMG team developed a project plan consisting of detailed work steps designed to address the scope of work. Upon acceptance of the project work plan by OFM's project manager, the KPMG team completed work plan tasks associated with the scope of this study. Specifically, KPMG drafted a performance assessment questionnaire, interviewed appointed representatives of the target agencies using the approved questionnaire, obtained and reviewed agency supporting documentation, performed follow-up interviews and data-gathering as appropriate, constructed assessment scorecards for each agency, and drafted a written report.

Methodology

In the course of this project, the KPMG team employed the following procedures to satisfy the project objectives:

- **Questionnaire:** KPMG developed an interview questionnaire to use as the survey instrument to assess agency performance in the context of the six attributes listed above. OFM reviewed and approved the initial draft and final version of the questionnaire.

² During the course of project fieldwork, the OFM removed 34 agencies from the original assessment list. See Appendix B for listing.

- **Introduction Letter:** OFM and KPMG drafted an introduction letter sent to all agencies participating in the survey. To allow agencies to prepare for the assessment interview, the project team attached a copy of the questionnaire to the introduction letter.
- **Preparatory Activities:** KPMG team members conducted several preliminary activities in order to prepare for agency interviews. These activities included obtaining and documenting general background information on each agency’s mission, major mandates, statutory authorization, budget, and staffing complement. KPMG also reviewed each agency strategic plan, performance measures submitted to OFM, and recent audit reports produced by the Washington State Auditors Office (SAO) and the Joint Legislative Audit Review Committee (JLARC).
- **Assessment Activities:** KPMG assessed agency performance based on our interviews with agency personnel, a review of documentation they provided and follow-up interviews as needed. Following an agency’s assessment interview and subject to the receipt of the adequate supporting documentation, KPMG completed agency assessments by assigning a “stoplight” rating of green, yellow, or red to each of the six attributes listed above. KPMG also listed observations related to agency business practices identified during the assessment process. Having completed our assessment, we assembled a scorecard for each agency to summarize the activities described above.
- **Final Report:** KPMG drafted a final report containing the assessment ratings for each agency reviewed, including agency strengths and weaknesses.

Constraints and Limitations

Constraints and limitations present special factors that should be considered in the interpretation of the project results. KPMG noted the following constraints and limitations in conjunction with this project:

- **Unaudited Source Material:** KPMG did not audit, or research the validity of the information and/or statements provided by the agencies. As such, KPMG cannot attest to the accuracy of the information supplied to support the assessment.
- **Agency Representation:** The KPMG team noted that agencies, which appointed knowledgeable personnel to represent them in their responses, also tended to receive higher performance ratings. Interviewees understanding the nature of our performance assessment effort to be an opportunity for them to present their agency in the most favorable light were able to secure comparatively higher ratings for their agencies.

Chapter Two: Summary of Activities and General Observations

Chapter Overview

This chapter outlines information about the responses KPMG received during the performance assessment effort. The ‘Summary of Activities’ section discusses our general approach to project in detail and the ‘General Observations’ section lists our observations as we executed our work plan to conduct the performance assessments.

Summary of Activities

In conjunction with OFM, we contacted 73 state departments, boards and commissions to conduct our performance assessment interviews. A majority of the agencies we contacted were well prepared for our performance assessment interview. They appeared to be familiar with the concept of balanced scorecards and the emphasis the state places on performance assessment. This section of the chapter explains the protocol we followed in order to complete the performance assessment and introduces some of the major trends we noted as we went through the assessment process.

We included the following major steps in our performance assessment protocol:

- **Introduction:** KPMG worked with the Office of Financial Management (OFM) to draft an introduction letter addressed to deputy directors within each agency. We included a copy of the performance assessment questionnaire developed for this project with the letter. We requested that the OFM send the letter out in increments of approximately twenty to thirty agencies every two weeks. This enabled us to manage the logistics of scheduling and conducting interviews with the 73 agencies scheduled to participate. The letter informed the agencies of our basic approach to the performance assessment and our project timeline. It requested that they identify a point of contact responsible for liaising with KPMG for the duration of this project. The questionnaire provided the agencies with a listing of the statutory criteria on which we would base the performance assessment. It contained guidelines for rating each of the attributes as well as sample evidence potentially required to support agency ratings.
- **Questionnaire Validation:** The KPMG team revised the initial questionnaire, after having it used to conduct interviews with the first increment of participating agencies. Through our experience with these agencies, we identified the need to make several minor modifications to the assessment instrument that would allow us to more effectively communicate performance distinction to the target agencies and allow us to conduct our assessments more effectively. We used the updated questionnaire for the remaining interviews after OFM had approved the changes. Appendix A contains the interview questionnaire used during the assessment.
- **Interview Scheduling and Initial Document Request:** Upon receiving responses from the agencies, we contacted them to schedule a sixty to ninety minute performance assessment

interview. KPMG also requested a copy of their current strategic plan if not available on line as well as any other documentation they felt would be relevant to the discussion based on their review of the assessment questionnaire. A number of agencies chose to provide certain information ahead of the interview. During this initial contact, we answered any specific questions the agencies had regarding the performance assessment, its purpose, performance criteria, timeline etc.

- **Preliminary Research:** Prior to conducting our interviews, we conducted preliminary research on each agency. This included reviewing the agency's Internet website, their strategic plans, and the OFM websites for their Activity Summaries, Performance Progress Reports etc. We also reviewed the State Auditor's and Joint Legislative and Review Committee reports on each agency to review any findings noted therein. KPMG found this preliminary research to be helpful as it allowed us to better understand our interviewees' comments and concerns during our conversations with them.
- **Assessment Interview and Request for Supporting Documentation:** We conducted a performance assessment interview with each of the agencies responding to our introduction letter. We typically conducted these interviews with agency deputy directors, quality coordinators, and finance managers within each agency. The smaller boards and commissions preferred that we speak with their directors or chief administrative officers. During the course of each interview we identified certain documents, which would support the information that the agencies provided to us verbally. We asked that the agencies provide their supporting documentation to us within five business days after the interview.
- **Review of Supporting Documentation and follow-up:** Upon receipt of the documentation we had requested, we completed our assessment of the agencies' performance based on interview notes and a review of the documentation they provided to us. In selected cases, we conducted follow up interviews and requested further documentation in an effort to complete the performance assessments as accurately as possible. We had originally anticipated the need for follow-up calls with several agencies. However, due to the higher than expected level of agency preparedness, and our ability to conduct preliminary research, we did not need to conduct many follow-up interviews with target agencies.
- **Performance Assessment Write-up:** We used the data we had collected through our interviews and document requests to write performance assessments for each agency. We found that a number of the larger agencies were able to provide ample amounts of documented data in well-indexed binders, which simplified the task of documenting our assessment. In a limited number of cases we were unable to obtain satisfactory documentation to support some or all of our criteria assessments. We documented such cases as having been assessed based on interview data only.

General Observations

This section of the chapter lists the KPMG team's observations conducting the project with regard to the responses of the target agencies. We noted several trends in the types of responses we received. A number of these appeared to be based on the size of the target agency, nature of

the response team/individual, quality of supporting documentation etc. We also noted exceptions to these trends as some agencies exceeded our expectations in terms of the nature of the documentation they provided or the level of their preparedness. Others failed to respond in a manner that allowed us adequate information to assess their performance. The following paragraphs summarize our impressions as we conducted this assessment.

- **Assessment Instrument:** The KPMG team approached this project well aware of the need for a good performance assessment instrument. OFM provided us a set of six criteria upon which to base the performance assessments. Given the breadth of the specified performance criteria, we recognized the need to develop an assessment instrument applicable to not only the large state agencies such as the Department of Health and the Department of Transportation, but also the small boards and commissions such as the Eastern Washington State Historical Society. As such, we developed a questionnaire that was generic in nature. This limited our ability to ask specific questions to which agencies could prepare answers, but provided an opportunity for target agencies to discuss the initiatives they considered to be most successful in the context of the criteria contained in the assessment questionnaire. A copy of the assessment instrument is contained in Appendix A.
- **Response Rate:** We found that the response rate to our introduction letter was very good. We believe that the strong support we received from the OFM played a key role in securing such a high number of responses for those agencies contacted. We typically received responses from agencies with their primary contact information within a week to ten days of receipt of the introduction letter and questionnaire. The OFM aggressively encouraged the participation of some agencies initially slow to respond. KPMG scheduled interviews with each agency within a week of having received their contact information.
- **Agency Perspective:** A few agencies voiced concerns regarding their ability to review and respond to our assessments prior to them being made public. We found that the larger agencies in particular were able to understand the purpose of this assessment clearly, and consequently provide us with the relevant information to present themselves in a favorable light. Although this was an advantage for such agencies, it did not automatically earn them a high performance rating. Some of the smaller agencies that did not have dedicated resources for such functions, as quality assurance and internal audit appeared to be unsure of the types of projects or initiatives that would satisfy the criteria listed in the questionnaire. The KPMG team was able to work with the majority of such agencies to clearly communicate the needs of the performance assessment project and obtain information that accurately reflected their level of performance in terms of the six assessment criteria.
- **Agency Preparedness:** KPMG found that the majority of the agencies participating in the assessment were prepared and approach this project in a highly professional manner. Some agencies took the initiative to prepare written responses, and/or provide supporting documentation before the interview. Typically agencies, which were prepared to answer our questions, appeared to fare well in our assessments. Interestingly, a number of the agencies interviewed chose to appoint teams of employees to represent their agency during their interviews. These agencies, which were typically the larger state departments with dedicated quality management resources, were often better able to answer and substantiate answers to the questionnaire. On the other hand, a number of the small and mid-sized agencies were able

to compensate for not having such dedicated resources by appointing members of their executive management to respond to our questions. These employees, most of whom had a strategic perspective of the agency, were able to represent their agency in the most favorable light and secure high ratings. In all instances however, we charged each agency large or small to substantiate as much information as possible by requesting written documentation to support the metrics, surveys, budget monitoring tools, innovative practices and initiatives discussed during the assessment interviews.

- **Sufficiency of Data:** We based our performance assessment scorecards on the information that target agencies provided to us during their assessment interviews, and subsequent substantiation of that information through appropriate and relevant documentation. We often helped target agencies identify which types of documents would serve to satisfy a particular criterion. While a majority of the respondents were able to provide relevant supporting data for most criteria, a few provided inadequate data, or failed to provide data to support certain criteria. This had a negative impact on their performance scorecard ratings.

Throughout this project, the KPMG team noted instances of ‘Potential Better Practices’ among agencies that could potentially be implemented by other agencies across the state to improve their performance as it relates to one of the six performance criteria. We have listed these practices under ‘Chapter 4: Potential Better Practices’.

Chapter Three: Trend Analysis

Chapter Overview

The object of our assessment was to rate each of the respondents in the context of the six criteria supplied by OFM. These six criteria were:

- Program effectiveness;
- Quality and process management practices;
- Internal and external customer satisfaction;
- Independent and internal audit functions;
- Fiscal productivity and efficiency, and
- Statutory and regulatory compliance.

This chapter presents our definitions of these criteria as well as a summary of statewide trends according to these criteria as observed through our assessment efforts.

Based on the procedures and methodologies discussed in Chapter One, most agencies reviewed in conjunction with this project receive high marks in the aforementioned subject criteria. However, agencies occasionally receive lower grades in the independent and internal audit functions criteria as a result of potential non-compliance with internal audit regulations stated in the State Administrative Accounting Manual. In this following section, we discuss trends across each of the subject criterion in more detail.

Program Effectiveness

The effectiveness of state agencies is often defined by, accomplishing program goals, achieving performance targets, and successfully serving agency customers. However, because the scope of the assessment did not provide for an in-depth review of agency performance data, we define program effectiveness as the ability of an agency to refine and focus its mission and efforts through its strategic planning process. Within this context, an effective agency has developed a strategic plan containing the agency's mission/vision statements, goals and/or objectives supporting the mission, and formal mechanisms (i.e. performance metrics and/or project milestones) by which to measure progress toward goals and objectives. Effective agencies regularly report progress toward established goals and show evidence of acting on performance data to improve program effectiveness.

Overall, the agencies considered in this assessment receive high marks for program effectiveness. These ratings appear to be indicative of the governing for results philosophy espoused by the Governor and largely result from several state agency quality requirements mandated in Executive Order 97-03 "Quality Improvement". Specifically, we observed that nearly all agencies reviewed utilize some form of a strategic plan. Agency strategic plans generally contain the necessary strategic plan elements described above. Several agencies incorporated 'balanced scorecard' criteria into their plan's structure to ensure that key perspectives, such as internal

processes, financial impact, and customer satisfaction were considered. Some agencies, such as the Department of Agriculture, the State Historical Society, Department of Services for the Blind, and the Department of Social and Health Services assigned accountability to business units or agency personnel for achieving specific targets or conducting initiatives documented in the plan.

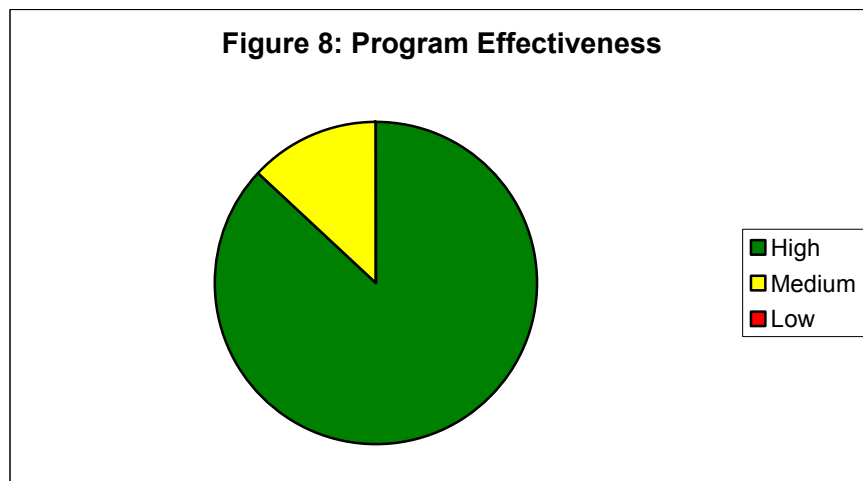
Other plans contain a detailed schedule of tasks and milestones for achieving agency goals. For example, the Department of Services for the Blind implemented a formal action plan structure for major strategic plan initiatives. This structure, details project/initiative goals and their relevancy to agency objectives, includes project performance measures and targets, assigns accountable staff, and indicates required funding and technology resources needed for project completion. The Department of Veteran's Affairs (DVA) adopted a similar structure for achieving agency goals including the incorporation of key action items and quarterly milestones for a large agency construction project. Additionally, the Arts Commission demonstrated progress in strategic planning by regularly updating goals and targets in their "working" strategic plan version by using the MS Word revision tool.

Several agencies provided examples of using performance metrics to increase program effectiveness. Cabinet-level agencies reporting directly to the Governor have largely developed sound mechanisms for gathering, tracking, and reporting data used to measure agency performance. For example, the DVA has provided several benefits including toll free access to Veterans Benefits Specialists, increased training and development for staff, increased bed-fill rates generating additional federal and local revenues, and reduced reliance on state general funds and increased funding from local and federal dollars.

Similarly, non-cabinet level agencies although not expressly required place much emphasis on agency performance measurement. In addition to aligned goals/objectives contained within a strategic plan, several small agencies have developed effective data collection mechanisms despite limited resources.

Few agencies received a less than high rating in this category. However, agencies receiving medium and low ratings in this category did not have a current or relevant strategic plan. Such agencies provided several reasons for this not maintaining a strategic plan, such as a recent transition in executive management, significant changes to the agency's governing mandates, or a lack of funding. While most agencies had sufficient processes in place for collecting data, such as automated reports, customer survey results or calendaring systems, some agencies indicated that poor data collection systems were often a hurdle in maintaining proper performance management systems.

Figure 8 represents a percentage distribution of the ratings noted under this criterion.



Quality and Process Management Practices

We define quality and process management practices in the context of an agency's quality assurance function. Successful agencies utilize a functioning quality assurance role responsible for monitoring agency progress toward established goals and objectives. A quality assurance role also actively ensures that agency processes are efficiently producing quality outputs. Quality and process management practices are often evidenced through statewide or national recognition for best practices and/or agency quality initiatives designed to critically analyze and improve existing processes.

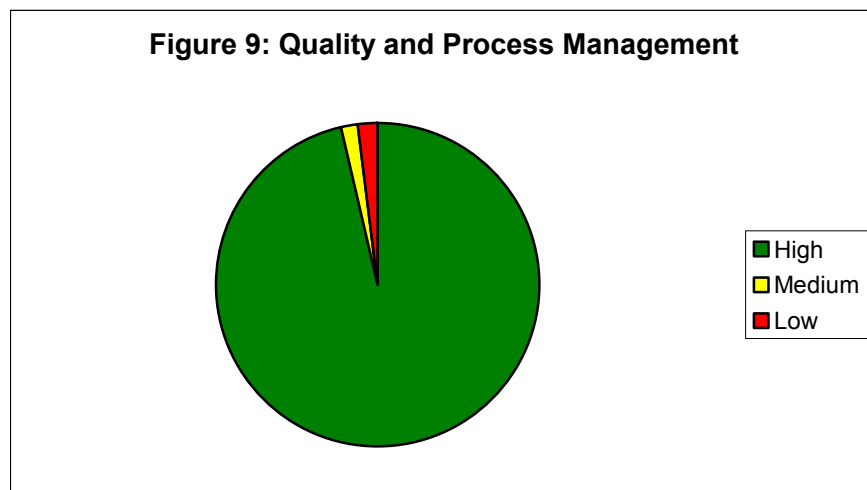
Given the top-down emphases on governmental quality originating from the Governor's Office, KPMG observed that the majority of agencies have some internal mechanism to promote and review quality initiatives. Most of the larger agencies are able to fund a quality assurance department or a full-time internal quality consultant position. Although most medium and small size agencies do not have dedicated resources for a full-time quality position, we saw this function, was served by a staff member with other primary duties, such as executive management or financial analysis. In some cases, agencies formed quality committees comprised of staff from a cross-section of agency functions. Regardless of how agencies structured their quality effort, most agencies provided evidence of award-winning/innovative processes, best practices and/or quality service.

We also observed that agencies often procure consulting services to assist with quality or operational improvements. For example, the Lottery Commission, procured services for quality/operational review studies, fee studies, or risk assessments. Other agencies, such as Central Washington University and the Historical Society, procured services from marketing/communications firms to improve agency the "brand" and/or increase customer awareness. Given limited budget resources, agencies often used creative funding tactics, such as applying for supplemental grants, additional state funds, or using monies in non-related expense

categories to obtain these services. Despite the absence of specific funding, most agencies seem very aggressive in seeking outside assistance to improve their business operations.

In addition to procuring private contracting services, several agencies, including the County Road Administration Board, the Department of Licensing, and the Department of Social and Health Services utilized academic resources from Washington state universities to assist with customer satisfaction surveys and focus groups. Other agencies such as the Department of Transportation and Growth Management Hearing Board have relied on similar state agencies or regulatory councils to perform peer review studies and audits.

Figure 9 represents a percentage distribution of the ratings we awarded under this criterion.



Internal and External Customer Satisfaction

We define internal and external customer satisfaction as the ability of an agency to maintain sufficient communication with its main internal and external stakeholders and customer groups in an effort to increase customer satisfaction. While customer feedback can be obtained and documented through a variety of means, maintaining customer satisfaction is a product of using feedback and creating initiatives to better serve agency customers and stakeholders.

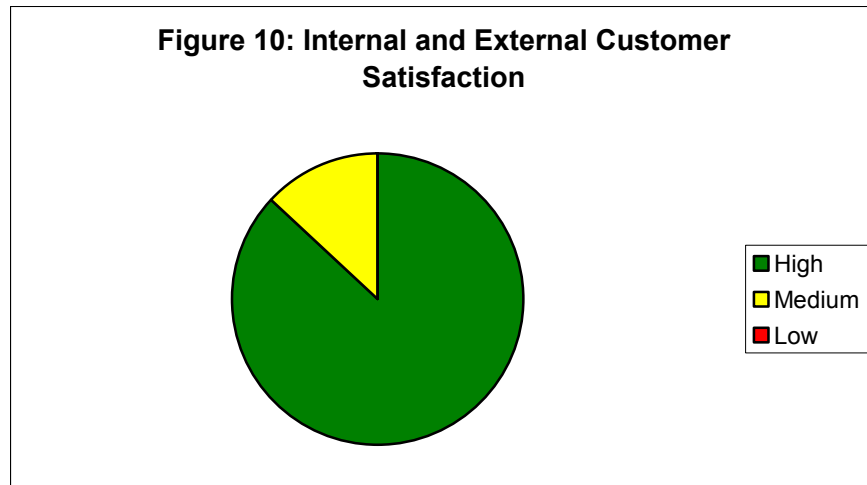
Most agencies have successfully defined their key stakeholders and use an appropriate methodology to obtain customer feedback and monitor customer satisfaction. When an agency serves a large and/or diverse citizen group, such as the Department of Licensing, customer feedback is typically obtained through customer surveys or focus groups. These agencies often track customer satisfaction as a key agency performance metric. Smaller agencies with a specific role or mandate may obtain customer feedback through customer advisory committees or stakeholder meetings. Most agencies were able to provide evidence of a new policy, technological enhancement, or initiative that was implemented in response to customer feedback.

Several agencies are particularly aggressive in soliciting feedback from their customers. For example, the Department of Veteran's Affairs conducts a variety of formal customer surveys for

their main customer groups including veterans home residents, veterans home staff, veterans families, and various sub-customer groups such as veterans afflicted with post traumatic stress disorder. The Office of the State Auditor also uses several methods such as customer satisfaction surveys, focus groups, and advisory committees to determine the needs of its internal and external customers. Finally, the Department of Personnel regularly assists many agencies in determining their employees' job satisfaction by conducting and analyzing internal staff satisfaction surveys.

Agencies also use customer feedback to improve customer service. For example, Department of Human and Health Services customers once indicated that the agency did not respond to phone calls in a timely manner. To address this issue, the Department drafted Constituent Services Correspondence Guidelines in order to ensure that customers uniformly receive appropriate attention from agency staff. Additionally the Department of Information Services procured a consulting firm to gain customer feedback regarding Department services, customer satisfaction, and suggestions for improvement. Through the survey, the Department identified an opportunity for improvement in their billing process and documented service upgrades in a formal action plan,

Figure 10 represents a percentage distribution of the ratings we awarded under this criterion.



Independent and Internal Audit Functions

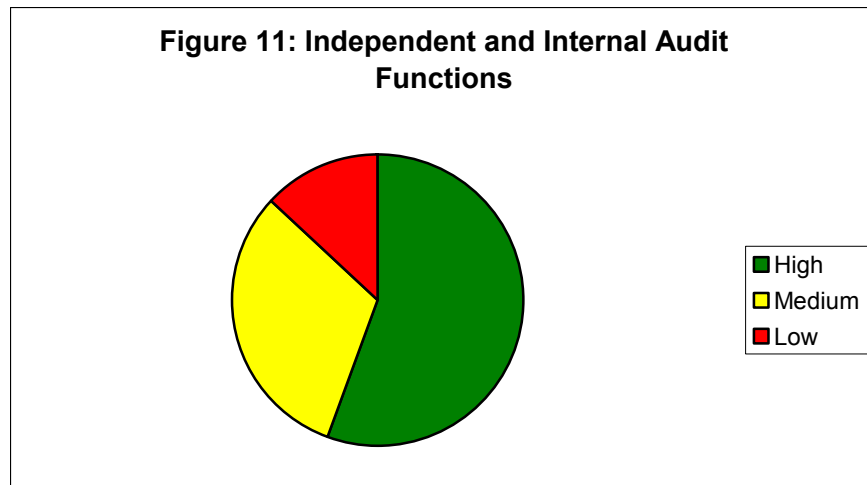
In order to define independent and internal audit functions, KPMG deferred to the internal audit requirements stated in Chapter 20 of the State Administrative and Accounting Manual (SAAM). These requirements dictate that state agencies, at a minimum, are to appoint a senior manager as their internal control officer. The internal control officer is responsible for coordinating and staffing the required annual agency-wide risk assessment and, if deemed necessary, an internal control evaluation. Chapter 20 also states that agencies have the responsibility and authority for establishing an internal audit program following the Standards for Professional Practice of Internal Auditing.

Overall, most large agencies have budgeted resources for an internal audit department and/or a full-time internal control officer. We discovered that most large and medium agencies with an internal control officer function have also performed the required risk assessment and have drafted an audit program to address high-risk areas. Although many agencies have assigned the internal control officer function to a senior manager, a number of small agencies have not designated this responsibility. Agency contacts generally cite a lack of resources to create a position, unfamiliarity with the SAAM provision, and a reliance on the State Auditor’s Office as reasons for not appointing an internal control officer. Because an internal control officer is largely responsible for championing an agency’s annual risk assessment, several agencies without an appointed internal control officer did not perform their annual risk assessment. This criterion provided to be the weakest area observed during the course of the assessment.

The scope of many risk assessments submitted by state agencies appear to solely encompass financial and accounting departments and processes. While these areas are often inherently risky due to the presence of public funds and resources, agencies could increase the scope of a risk assessment to encompass all operational functions of an agency. As such, agencies should consider conducting risk assessments capturing all related risks potentially facing an agency such as financial risks, information technology risks, legal exposure, health and safety hazards, human resource/staffing related risks, and external environment/market risks.

A few agencies without an internal control officer and/or a risk assessment indicated that senior managers in areas such as accounting, fiscal management or cash handling departments share the responsibility for managing the agency’s control environment. Another agency without an internal control officer provided a list of compensating controls designed to satisfy the requirements of Chapter 20. However, we assigned a low rating in this category if the agency showed no evidence of having appointed an internal controls officer, and/or having completed an agency risk assessment or an internal audit program within the past year. Although this criteria receives the lowest ratings, we discuss a potential better practice offered by the State Board of Accountancy in Chapter Four, which potentially provides other agencies an opportunity to improve.

Figure 11 represents a percentage distribution of the ratings we awarded under this criterion.



Fiscal Productivity and Efficiency

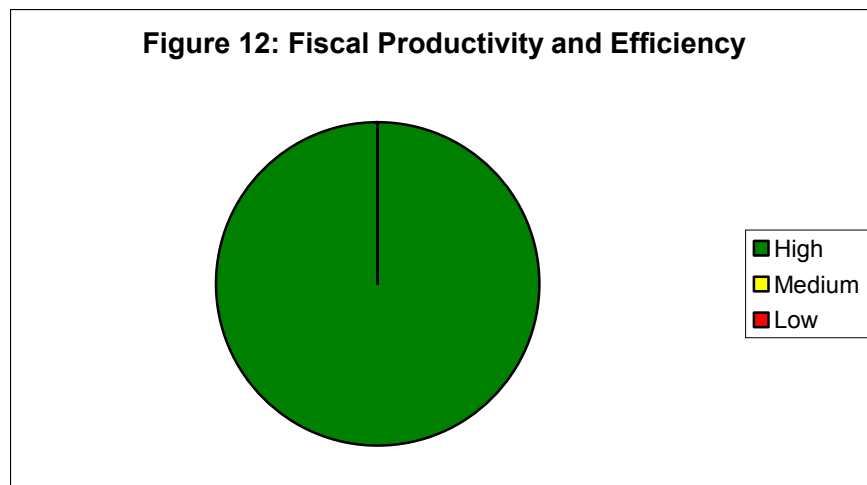
Given the wide range of agencies reviewed in conjunction with this assessment, we adopted a broad view of fiscal productivity and efficiency. While many state agencies must generate revenues in conjunction with their key mandates and missions (i.e. the State Treasurer’s Office and the Lottery Commission) other agencies, such as several regulatory review boards and other small agencies, are not mandated to generate or obtain state or supplemental funding. As such, we asked agencies to provide evidence of revenue optimization within the context of the agency’s core responsibilities. In addition to revenue optimization, we also requested that agencies provide evidence that agency spending/expenditures are monitored on a regular basis.

Agencies were often able to provide examples of innovative ways to optimize revenues within their mandates and statutory directives. Examples provided by agencies included competitive grant awards, fee optimization studies, cost-saving policy initiatives, and efficiencies gained through technological implementation. The Pollution Liability Insurance Program was recognized for having the best Underground Storage Tank (UST) insurance program in the nation by the Federal Environmental Protection Agency for saving UST owners over \$2.5 million in insurance premiums over six years.

Additionally, The Liquor Control Board’s Retail Business Plan includes several initiatives to increase revenues as relocating stores based on market demographic studies and providing shopping baskets to patrons.

Additionally, all agencies reviewed provided evidence that they formally monitor expenditures on a regular basis. Some larger agencies, post program expenditure reports on the agency intranet to allow appropriate staff on-line access to these reports. Other agencies utilize the OFM Fast-track accounting system to report and monitor agency expenditures.

Figure 12 represents a percentage distribution of the ratings we awarded under this criterion.

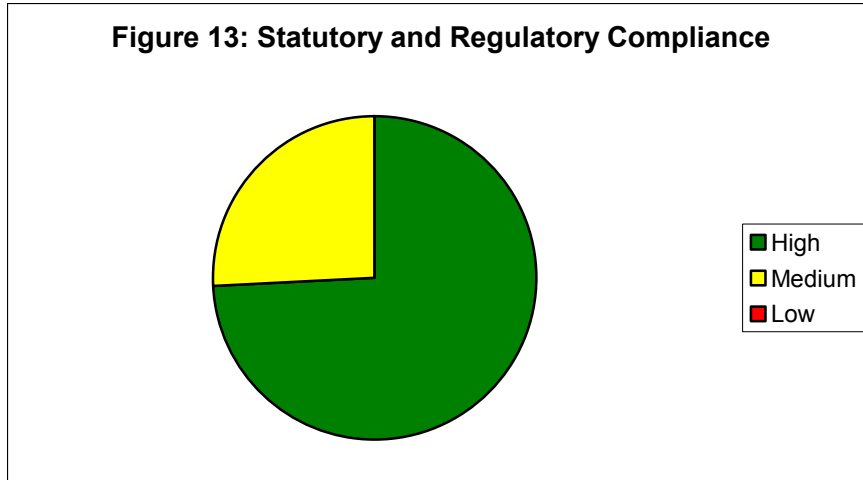


Statutory and Regulatory Compliance

In order to determine if agencies operate within their relevant statutes and regulations, KPMG reviewed recent State Auditor’s Office (SAO) and Joint Legislative Audit Review Committee (JLARC) reports. An agency received a favorable rating if no instances of non-compliance were noted in SAO or JLARC reports over the last three years. Conversely, an agency received a poor rating if it did not take steps to sufficiently resolve audit issues.

We observed that the majority of state agencies considered in this assessment have not received findings from the SAO or JLARC within the last three years. Of those agencies that received findings, KPMG consulted the SAO and JLARC websites as well as confirmed with the subject agency that any audit issues were adequately addressed.

Figure 13 represents a percentage distribution of the ratings we awarded under this criterion.



Chapter Four: Potential Better Practices

Chapter Overview

In this chapter, we present potential better practices conducted by state agencies, which are potentially transferable to some or all other state agencies.

Observations

During the course of this assessment, we observed several activities conducted by various agencies that, if shared, could potentially increase the performance or effectiveness of other state agencies. Although all agencies may not be able to take advantage of each practice listed below due to differing size, capacity, or governing mandates, agencies should consider the utility of the following items:

- **Revised Code of Washington (RCW) Linked to Agency Performance Measures:** While most agencies link performance metrics to the agency mission or, the Department of Ecology has created a format linking performance measures directly to RCW references. For example, RCW 43.21A requires the Department to inspect dams to ensure a high degree of safety. Accordingly, the Department tracks the percentage of dams above population centers posing a low safety risk. This planning tool provides agency management and policy makers, added assurance that each RCW mandate is properly accounted for and measured by the agency.
- **Fast-track Training Materials:** Like many state agencies, the Department of Licensing utilizes the Fast-Track accounting system sponsored by OFM for its financial management. To ensure that its employees use the system properly, the Department developed an in-house training program for its users. Given that several other agencies also use this accounting system, these training materials could be beneficial to other agencies.
- **Balanced Scorecard Software:** To supplement its strategic plan, the Department of Retirement Services (DRS) implemented an automated balanced scorecard tracking system allowing immediate access to how well DRS is performing according to the plan. The software also allows easy access to standard and exception reports to highlight issues that warrant special attention.
- **Program Level Balanced Scorecards:** In addition to their agency-wide balanced scorecards, the Department of Retirement Services and the Department of Licensing both have implemented a balanced scorecard reporting process for each of its operating divisions and selected sub-divisions. The executive management team and program managers identified goals and strategies for each of the Balanced Scorecard perspectives, with accompanying measures, targets, resources, timelines and accountable leads. Program level balanced scorecards are posted on the agency's intranet and are reviewed on a regular basis.
- **Performance Improvement Plans:** The Department of Licensing implemented a formal performance improvement plan process for divisions or sub-divisions not meeting

performance targets. These plans document and analyze factors contributing to the sub-par performance and present steps previously taken to address issues. Performance managers also document action items needed for improvement and require regular status reports indicating toward established goals.

- **Internal Performance Agreements:** Based on the performance agreement model used by the Governor and agency Directors, the Department of Social and Health Services and requires that agency Assistant Directors and Program Managers each submit a performance agreement to the agency Director. Similar to the Governor’s model, internal performance agreements state program-specific goals and targets and add an additional layer of accountability for agency performance outcomes.
- **Internal Control Checklist:** Although the Board of Accountancy does not have a significant scope nor budget for a separate internal audit department, the Director developed an internal control questionnaire to ensure the agency maintains a strong internal control environment. This questionnaire could potentially be modified to suit processes at other agencies without dedicated internal audit resources. Furthermore, this checklist could potentially strengthen agency internal control compliance for those agencies receiving lower scores in the independent and internal audit functions assessment criteria.
- **Small Agency Client Services:** The Caseload Forecast Council obtained resources from OFM’s Small Agency Client Services (SACS) program to conduct its annual risk assessment. SACS has also provided other services to small agencies including accounting, budgeting, tax preparation, and payroll.
- **Grant Process Improvement Study:** In an effort to improve grant processing, the Interagency Committee for Outdoor Recreation conducted an internal review to examine their grant application and evaluation processes. This review included a focus group of other State agencies that also administer grants in order to determine best practices conducted by other grant administering agencies. Additionally, the agency sent 400 questionnaires to individuals who had recently applied for an IAC grant in order to obtain participant feedback. Based on this study, the IAC was able to make numerous improvements to its grants application process.

Appendix A: Assessment Questionnaire

Criteria	Condition	Evidence	High Rating	Medium Rating	Low Rating
Program Effectiveness	Describe the criteria the agency uses to determine program effectiveness?	Agency has a written strategic plan with vision/mission statements, goals & objectives and performance measures accurately reflecting governing mandates.	Agency provides a written strategic plan with vision/mission statements, goals & objectives and performance measures (established /reviewed/updated in the last year) accurately reflecting governing mandates.	Agency provides a written strategic plan with vision/mission statements, goals & objectives and performance measures (established /reviewed/updated in the last three years) accurately reflecting governing mandates.	Agency does not have a written strategic plan with vision/mission statements, goals & objectives and performance measures accurately reflecting governing mandates.
	Has the agency developed aligned performance metrics?	Agency has a written strategic plan with aligned vision/mission statements, goals & objectives and performance measures.	Agency provides a written strategic plan, with aligned vision/mission statements, goals & objectives and performance measures established /reviewed/updated in the last year.	Agency provides a written strategic plan, with aligned vision/mission statements, goals & objectives and performance measures established /reviewed/updated in the last three years.	Agency does not have a written strategic plan, with aligned vision/mission statements, goals & objectives and performance measures.
	How does the agency collect data to support established metrics?	Agency has a documented performance measurement data collection process.	Agency has a documented performance measurement data collection process with three years of documented results.	Agency has a documented performance measurement data collection process with one year of documented results.	Agency does not have a documented performance measurement data collection process or does not have supporting data.
	How does the agency analyze and report results based on established metrics?	Agency produces periodic written performance reports.	Agency has three years of written performance reports.	Agency has written performance reports for the last year.	Agency does not document performance measurement reporting.
	How does the agency act on performance data to improve program effectiveness?	Agency provides written evidence of acting upon performance measurement system results.	Agency provides written evidence of acting upon performance measurement system results for the last three years.	Agency provides written evidence of acting upon performance measurement system results for the last year.	Agency has no written evidence of acting upon performance measurement system results.

Criteria	Condition	Evidence	High Rating	Medium Rating	Low Rating
Quality and Process Management Practices	Provide an example of an innovative or best practice on the part of the agency.	Agency recognized in Governor's Office Quarterly Agency Newsletter (or in a similar publication or relevant industry body) for best practices.	Agency recognized in Governor's Office Quarterly Agency Newsletter or Newsletter (or in a similar publication or relevant industry body) for best practices in the last year.	Agency recognized in Governor's Office Quarterly Agency Newsletter or Newsletter (or in a similar publication or relevant industry body) for best practices in last three years.	Agency has no evidence of innovative or best practices.
	Describe the agency's Quality Assurance (QA) function?	Agency has functioning QA role with established and active process for quality reviews.	Agency provides evidence of functioning QA role with established and active process for quality reviews in the last year.	Agency provides evidence of functioning QA role with established and active process for quality reviews in last three years.	Agency has no such QA function or evidence of quality reviews.
	Has the agency commissioned external studies for quality/operational improvement?	Agency provides published quality/operational reports/assessments.	Agency provides quality/operational reports/assessments published within the last year.	Agency provides quality/operational reports/assessments published within the last three years.	Agency does not conduct or has no evidence of quality/operational studies/assessments.

Criteria	Condition	Evidence	High Rating	Medium Rating	Low Rating
Internal and External Customer Satisfaction	How does the agency define internal/external customers?	Agency provides documented customer survey results.	Agency provides documented customer survey results for the last three years.	Agency provides documented customer survey results for the last year.	Agency has not taken steps to identify/solicit input from its customers.
	How does the agency measure internal/external customer satisfaction?	Agency provides documented customer survey results and corresponding written analysis.	Agency provides documented customer survey results, corresponding analysis and action on results over the last three years.	Agency provides documented customer survey results, corresponding analysis and action on results over the last year.	Agency has not taken steps to identify/solicit input from customers or has no written evidence of this activity.
	How does the agency increase internal/external customer satisfaction?	Agency provides documented customer survey results and corresponding written analysis.	Agency provides documented customer survey results, corresponding analysis and action on results over the last three years.	Agency provides documented customer survey results, corresponding analysis and action on results over the last year.	Agency has not taken steps to identify/solicit input from customers or had no written evidence of this activity.

Criteria	Condition	Evidence	High Rating	Medium Rating	Low Rating
Independent and Internal Audit Functions	Does the agency have an internal control officer (per Chapter 20 of State Administrative Manual)?	Agency appointed an Internal Control Officer.	Agency provides evidence of appointing an Internal Control Officer.	N/A	Agency has no evidence of Internal Control Officer appointment.
	Has the agency conducted an annual internal control risk assessment (per Chapter 20 of State Administrative Manual)?	Agency produced an internal control risk assessment report, conducted internal control reviews for systems determined to be high risk, and provided evidence of follow-up activities.	Agency produced an internal control risk assessment report, internal control reviews for systems determined to be high risk, and provided evidence of follow-up activities within the last year.	Agency produced an internal control risk assessment report, internal control reviews for systems determined to be high risk, and evidence of follow-up activities within the last three years.	Agency has not performed an internal control risk assessment or internal control reviews for systems determined to be high risk.
	Has the agency established an internal audit program (per Chapter 20 of State Administrative Manual)?	Agency conducted an internal control risk assessment, produced an internal audit program and, if necessary, conducted an internal audit control evaluation, with (evidence of follow-up activities.)	Agency conducted an internal control risk assessment, produced an internal audit program, and, if necessary, conducted an internal audit control evaluation, with (evidence of follow-up activities) within the last year.	Agency conducted an internal control risk assessment, produced an internal audit program and, if necessary, conducted an internal audit control evaluation, with (evidence of follow-up activities) within the last three years.	Agency has not conducted an internal control risk assessment produced an internal audit program and if necessary conducted an internal audit control evaluation, with evidence of follow-up activities.

Criteria	Condition	Evidence	High Rating	Medium Rating	Low Rating
Fiscal Productivity and Efficiency	How does the agency optimize revenues?	Agency provides evidence of its pursuit to secure supplemental funding (e.g. grant identification and application processes).	Agency successfully secured supplemental funding in the last three years.	Agency provides evidence of its pursuit of supplemental funding in the last three years.	Agency makes no efforts (or has no supporting evidence) to secure supplemental funding.
	How does the agency monitor expenditures?	Agency provides evidence of expenditure monitoring mechanism (e.g. formal time and expense reporting system.)	Agency provides evidence of established expenditure monitoring mechanism for the past three years.	Agency provides evidence of established expenditure monitoring mechanism for the past year.	Agency provides no evidence of expenditure monitoring efforts.
Statutory and Regulatory Compliance	Does the agency operate in accordance with relevant statutes and regulations?	State Auditor or Joint Legislative Audit Review Committee (JLARC) audit report findings and evidence of follow-up activities.	No instances of non-compliance noted in State Auditor or JLARC reports over the last three years.	Evidence of timely follow-up to State Auditor or JLARC findings over the last three years.	No evidence of timely follow-up to State Auditor or JLARC findings over the last three years.

Appendix B: Agencies Removed from Performance Assessment

Agencies Removed from Performance Assessment

OFM concluded that some state agencies do not avail themselves to this project because they do not perform the extensive performance measures being examined and it is not cost/resource effective to examine these entities. The 15 state entities withdrawn from the study are as follows:

- African-American Affairs Commission
- Asian-American Affairs Commission
- Columbia River Gorge Commission
- Conservation Commission
- Eastern Washington State Historical Society
- Governor's Office
- Governor's Office of Indian Affairs
- Hispanic Affairs Commission
- Indeterminate Sentencing Review Board
- Lieutenant Governor's Office
- Marine Employee's Commission
- Minority and Women's Business Enterprises
- Pilotage Commissioners
- Public Employment Relations Commission
- Volunteer Firefighters Board

Agencies Removed from Performance Assessment

These additional agencies were also deleted at the direction of the OFM (in December 2002):

- Community and Technical College System
- State Convention and Trade Center
- Washington State Criminal Justice Training Commission
- Eastern Washington University
- Forensic Investigation Council
- Higher Education Coordinating Board
- Human Rights Commission
- Office of the Insurance Commissioner
- Municipal Research Council
- Department of Natural Resources
- Parks and Recreation Commission
- Public Printer
- Office of the Secretary of State
- Sentencing Guidelines Commission
- The Evergreen State College
- Washington Safety Commission
- University of Washington
- Washington State University
- Western Washington University

Appendix C: Agency Scorecards

Assessment Scorecards

Based on the procedures and methodology discussed in Chapter One, we prepared assessment scorecards for each agency participating in this project according to the six aforementioned criteria. In order to report the agency performance the agencies with respect to each criterion, we developed a “stoplight” rating system for each criteria. A description of each indicator is as follows:

- **Green Light:** Agencies receiving a green light rating appear to have demonstrated a high level of performance in the subject criterion. Although agencies receiving a green light rating should be commended for their efforts, agency staff should continually seek opportunities for self-improvement.
- **Yellow Light:** Agencies receiving a yellow light rating appear to have demonstrated some progress in the subject criterion, but opportunities for improvement remain. As such, the agency should consider focusing attention in the subject criterion to increase performance in this area.
- **Red Light:** Agencies receiving a red light rating appear to have demonstrated minimal achievement in the subject criterion and agency management should take immediate steps to improve performance in the relevant areas.

In addition to each criterion rating, we offer a series of observations per agency. These observations note significant strengths or opportunities to improve unique to the agency under consideration.

The following section contains the scorecards for each agency participating in the performance assessment project. We present Agency scorecards in alphabetical order on the following page.

Appendix D: Agency Responses

Agency Responses

Agency

Arts Commission, Washington State

Response

Thank you for the opportunity to review this document. Two comments:
bullet 2: We are one of 13 selected, not 15.
bullet 4: Internal financial controls are established and followed.

Action

KPMG modified the second bullet to reflect “15” instead of “13”.

Auditor, Office of the State

Response

Thanks for the opportunity to review the draft performance assessment scorecard for our office.

We suggest one small change in the first observation. The Secretary of State's Office administers the state's two employee involvement programs; the SAO participates in them. So, we recommend that the word "administers" be deleted and the words "participates in the state's" be added in the first sentence.

We have enjoyed working with you on this assessment.

Action

KPMG modified the first observation to read, “participates in the state’s” from “administers”.

Corrections, Department of

Response

In the last area on the Department of Corrections performance assessment, Statutory and Regulatory Compliance, it indicates that we have had an ongoing audit finding for the Department and therefore received a “yellow light” for that particular area. In fact, that audit finding was cleared in the Fiscal Year 2001 audit.

We respectfully request that the “light” be changed to green.

Action

No Action The condition for a high rating in Statutory and Regulatory Compliance was no findings on State Auditor or JLARC audits over the last three years. The condition for a medium rating was evidence of timely follow-up for State Auditor or JLARC findings over the last three years. The DOC had one finding for the period ending June 30, 2000 with evidence of timely follow-up.

County Road Administration Board

Response

After review of the “Draft Performance Assessment Scorecard”, I would like to comment on the area of “Independent and Internal Audit Functions”. The question regarding risk assessment functions during the telephone interview did not adequately explain what the consultant was looking for in the area of risk assessment. In response we are forwarding CRAB’s policy on Risk Management and Internal Controls.

Furthermore, our agency performs the following functions as required by the State Auditor’s Office and the Office of Financial Management:

1. Annual Employee Performance Evaluations
2. We double-check all of OFM SACS' work (payroll, leave, bill paying, batch work, personnel, employee travel etc.)
3. We review with OFM SACS all RAP and CAPP expenditures
4. We meet with OFM SACS quarterly to review our budget
5. We do performance measures
6. We provide information to the State Auditor's office
7. We maintain files of all incoming and outgoing correspondence
8. We maintain a "policy manual" and inform our employees of new policies
9. We backup computer system every Friday and maintain copy off site in safety deposit box
10. We use the state's Records Center and Archives
11. We do inventory on equipment and computers

Action

No action. The condition for Independent and Internal Audit as defined in the assessment questionnaire was documented evidence of an appointed internal control officer, an annual agency internal control risk assessment, and an internal audit program. No evidence was offered to satisfy these conditions.

Ecology, Department of
Response

Although I can understand the red rating that was given our agency for the independent and internal audit functions from the strict reading of the question, does our agency have an internal auditor (the answer being no). We do have in place many functions and control measures to ensure our fiscal responsibility and accountability. A red implies, from the criteria, that we have demonstrated minimal achievement in the area of audit functions when in fact our agency has and continues to achieve very good audit ratings. I believe a yellow would have been a fairer rating included with the explanations of how we control financial risk and pointing out that we do not have one person assigned the role of internal auditor.

I am also a bit confused about the statutory and regulatory compliance rating of yellow. I would like to make sure I understand why a yellow was given to our agency.

Thank you for the opportunity to view the draft and provide you with some feedback.

Action

No action. The conditions for Independent and Internal Audit as defined in the assessment questionnaire was documented evidence of an appointed internal control officer, an annual agency internal control risk assessment, and an internal audit program. No evidence was offered to satisfy these criteria. The condition for a high rating in Statutory and Regulatory Compliance was no findings on State Auditor or JLARC audits over the last three years. The condition for a medium rating was evidence of timely follow-up for State Auditor or JLARC findings over the last three years. The DOE had three findings for the period ending June 30, 2000 with evidence of timely follow-up.

Economic and Revenue Forecast Council

Response

As the opportunity for rebuttal was offered, our agency has prepared additional information on those criteria that we scored low in. In addition to this email, I have attached a document from prepared by our staff as a whole.

One of the observations provided to our agency regarding our Internal and External customer satisfaction was that we had not implemented all the recommendations provided in our 1999 survey. Upon further discussion with staff members it was remarked that many of those not followed through were comments that were really only specific to one or two customers, and not the group as a whole. With this said, it was also indicated that those individual recommendations were addressed on a one on one basis. I apologize, as it was I personally who failed to provide accurate information in this area.

Also, in regards to this observation, the survey that we have sent out is addressed to more than just our legislators. While they are a large number of our customers, others include other state agencies and economists from the private sector. This observation we felt was too narrow and needed to be better defined.

Our staff walked through the Agency Scorecard and had much to say in light of our yellow light in customer service. It is somewhat difficult to comprehend why our score should be so low, considering that in the fourteen years of the existence of this agency we have never received any formal complaints from any of our internal or external customers. We feel that this speaks highly of the work that we do. A lot of our customer service work comes in the form of phone requests for data, these requests are addressed immediately and the customer receives the available data in less than two days. More often that not on the same day. We feel that customer satisfaction is a driving force in our agency, and while not necessarily documented each time, our customers are never left with requests un-fulfilled. It is difficult to do extensive documentation since our primary client base provides us very narrow concerns, often confidential in nature, and they are handled immediately.

Economic and Revenue Forecast Council

Response cont'd

We would be more than happy to provide detailed lists of various customers that we have assisted in the last year alone. We feel that interviewing them would shed a light on the considerable measures we take to guarantee satisfaction from our customers.

On a final note, please notice on our website that we do invite comments, questions, and concerns from anyone who is browsing. That email is checked daily by the Office Manager and action is taken same or next day.

Comments on program effectiveness;

The OFC does not have written evidence of acting upon performance measurement system results.

The Office of the Forecast Council (OFC) strategic plan and mission statement are implicit in the legislation creating the Economic and Revenue Forecast Council. (RCW 82.33.20). The legislation requires the OFC to prepare an official economic and revenue forecast and alternative forecasts four times a year. While not specifically mentioned in the statute, implicit in the statute is that the forecasts be the best (most accurate) forecasts possible.

We strive to provide the most accurate forecast possible. However, General Fund Revenue is a function of many factors the most important of which is the state economy, which in turn, is dependent on the national and the world economy. Performance of the state, national and the world economies are dependent on a myriad of interdependent events and policies. While we try to accurately forecast economic performance, the forecasts are never perfect and performance varies considerably over time. For each quarterly forecast we provide information, at length in our publication, of how economic factors and data have changed since the last forecast as well as a track record showing how the economic and revenue forecast has changed over time. Currently OFM is using a numerical measure to judge the accuracy of the November and March forecasts. This standard is 2.5 percent.

Economic and Revenue Forecast Council

Response cont'd

While a numerical measure is a means of providing an objective measure of performance, the 2.5 percent standard is quite subjective. Annually we provide OFM with a statement comparing actual experience with this measure. Our forecasts have been within this range more times than not, but from time to time they have exceed this measure due to economic events beyond our control and our ability a accurately predict or anticipate. However, we “do not have written evidence of acting upon [this] performance measurement result” because we cannot. While our goal is to provide the best forecast possible, once the forecast of future revenue is made, we cannot affect or change the results.

Comments on Internal and External Customer Satisfaction

In 1999 the OFC conducted its first customer survey of legislators and intends on performing this activity every five years.

A survey may not be the best way to measure evidence of customer satisfaction for this agency. The OFC “customer” base can be separated into two categories: its primary customers and all others. The OFC’s primary customers are define in statute: they are the six members of the Economic and Revenue Forecast Council and the members of the Forecast Council Workgroup, which are essentially the staff of the Council members. Satisfaction of the Council members is measured directly. Each quarter, the OFC director submits the statutorily required official economic and revenue forecast and alternatives to the Economic and Revenue Forecast Council for approval. Since inception in 1984, there have been 73 forecasts submitted and all have been approved. All but two have been approved unanimously.

We strive to provide the best possible service to our other customers who are other state agencies, local governments and private citizens. This is primarily done by producing the official state economic and revenue forecast and providing forecast details, assumptions and background information. While we have done a general survey and have received sparse to no complaints, we feel the best use of resources is to focus on its primary purpose, producing the economic and revenue and satisfying our primary customers, the Economic and Revenue Forecast Council.

Action

No Action. Two of the evidentiary requirements for the Program Effectiveness criteria were a documented performance measurement data collection process and periodic written performance reports. No supporting evidence for these two requirements was offered. One evidentiary requirement for Internal and External Customer Satisfaction was documented customer survey results and corresponding written analysis. In order to earn a high rating, agencies were required to submit evidence of customer surveys for the last three years. As stated above, the most recent agency customer survey was in 1999.

Horse Racing Commission, Washington

Response

Thank you for the opportunity to review the performance assessment scorecard for the Washington Horse Racing Commission. There is one error we noted in the list of observations. Under the second bullet, Quality Assurance it was noted that "between October and January there are only four FTE at the commission ..." The actual duration is "from October through March."

If possible we would like this small error corrected before our agency's scorecard is finalized.

Action

KPMG changed the scorecard to reflect "October and March".

Information Services, Department of

Response

The draft for DIS looks fine with one exception, on Independent and Internal Audit, the statement that "They were unable to provide evidence of recent risk assessments...." is not accurate. I sent the risk assessment, 31 pages total, for FY 00 that was included as a part of the State Auditor's Audit completed on May 25th 2001. We are currently being audited for FY 02 and will complete the updated risk assessment for that year shortly. We also included a Risk Management Analysis, completed in 2002, in response to Governor's Executive Order #EO-01-05. This analysis covered Accessibility, Employee Safety and Health, Financial, Performance Evaluations, Records Retention, Security Awareness, Software Licenses, Trademark and Copyright, and Workstation Assessments. Please contact me if these items weren't received or other information was needed.

Action

The Department provided a risk assessment document dated September of 2000 and an undated Risk Analysis document to satisfy this requirement. KPMG updated the scorecard to read “unable to provide evidence of a recent risk assessment”.

Investment Board, State

Response

Just one small note on your third "observation" on the SIB page: It is stated that the website referred to allows "retirees" to manage their investments on-line. Actually, that should read "defined contribution retirement plan members" are able to manage their investments on-line at this site. "Retirees", generally, would have removed their funds from the system post-retirement, so they wouldn't be managing their funds at this site. However, active defined contribution retirement members (pre-retirement) do manage their own funds at this site, as you state.

Investment Board, State

Response cont'd

Action

KPMG changes “retirees” to “defined contribution retirement plan members”.

**Pollution Liability Insurance Program,
Washington**

Response

I'm wondering if there might be a mistake on our scorecard (you've heard that before, right?). But on the last bulleted item it states that "DOP has not assigned an internal control officer". DOP is not our acronym (it's PLIA) and we have assigned an internal control officer and have provided the documentation for that. Is this really our agency's score?

Also, in the second bulleted item, the new management team did revise the agency's strategic plan this summer. I'm not clear on what "aligned metrics" are but I think we have them. I've attached our last Quarterly Performance Agreement report which corrected some previous measures.

Action

KPMG changed the scorecard to reflect PLIA vice DOP in the comment regarding the agency's internal control officer.

KPMG noted the PLIA's Strategic Plan contains a list of performance measures. While these measures appear pertinent to the agency's overall mission and objectives, the measures are not aligned to specific agency goals or desired outcomes.

The Deputy Director indicated that the agency is in a state of leadership transition and currently developing aligned performance measures. To address the need for aligned measures, the PLIA has surveyed each major program and has identified desired metrics for collection. As the agency develops its data needs and reporting systems, the PLIA intends to have aligned metrics in the next iteration of the Plan.

Public Instruction, Superintendent of
Response

Michael Bigelow writes, "Ryan, Thanks for the info. I like the green scores but I don't like the yellow scores. However, I understand the internal/external audit score. I don't understand the yellow score for regulatory and statutory compliance. On the audit issue, we do have an internal auditor and as soon as this year's audit is released, we will have gone 2 years without a finding.

Are these scores permanent now?

Action

KPMG reminded OSPI that the agency received an audit finding from the State Auditor's Office in FY01 and in accordance with the assessment questionnaire receive a medium or yellow rating in Statutory and Regulatory compliance.

Social and Health Services, Department of
Response

I think DSHS' agency scorecard looks fine. However, I have a question on the last observation bullet. It states that "The DOP received recent findings from the State Auditor...", should it be "DSHS" instead of "DOP"? Could you send me a corrected version as soon as possible. Thank you very much!!

Action

KPMG changed 'DOP' to 'DSHS' in the agency scorecard.

Transportation Commission

Response

Thank you for the opportunity to review the draft agency scorecard for the Transportation Commission (TRC).

I appreciate the high marks on five of the elements. We work hard to perform a valuable service to the public.

I am surprised at the low rating for the Independent and Internal Audit Functions. I thought I provided an adequate explanation during the interview to show that the Commission Office pays a substantial amount of attention to its internal control issues, but apparently I wasn't clear enough.

The Commission is a seven-citizen member board with three staff in the Commission Office. The Commission appointed me the administrator for the Commission, responsible for all of its activities. While they have never officially named me the "internal control officer", using those words, they did adopt a resolution in 1992 giving me full authority over the records of the Commission and full signature authority for all financial, purchasing and personnel matters relating to the Commission. I can fax you a copy of that resolution if necessary. If the words "internal control officer" are important, I can have the Commission adopt a resolution in the space of a few minutes at its December Commission meeting.

The Commission receives a substantial amount of administrative and professional support from the Department of Transportation, because it is the governing board for the Department. The Department has its own officially appointed Audit Chief, who manages an Audit Office. That office conducts annual internal risk assessments and audits for the Department of Transportation.

Because the Commission Office uses the services of the WSDOT Accounting Office,

Transportation Commission

Response cont'd

Budget Office, Personnel Office, and other "overhead" offices of the Department, the WSDOT Audit Office's work to keep the Department's administrative support functions in compliance with proper standards serves to keep the Commission Office in compliance as well. I have an ongoing working relationship with the Audit Chief, and consult with him whenever I have audit related questions. Again, the question is whether you believe that it is necessary for me to stop once a year and write up a "report" to show we've checked our policies and procedures within the three-person Commission Office, which I can do if that is your finding.

I believe I pointed out that the last audit finding or management letter we had from the State Auditor's Office was for the 1991-1993 biennium. I believe the track record of perfect audits for the past several years should count for something in the scoring. Our excellent audit track record is a direct result of my daily - not annual - attention to our risk factors. One advantage of being a three-person office is that I have my finger on the pulse at all times.

I would appreciate your reconsideration of the rating you gave the Commission regarding Independent and Internal Audit Functions. I believe we have complied with the substance of the expectation - that there is one person (me) that the Commission holds responsible for the administration of the program, and that I pay daily attention to the Commission's policies and procedures, and that the WSDOT Audit Office pays attention to the Department functions that we use on a daily basis. I believe the results of our program (several years of clean audits) also deserve recognition.

Action

No action. The conditions for Independent and Internal Audit as defined in the assessment questionnaire was documented evidence of an appointed internal control officer, an annual agency internal control risk assessment, and an internal audit program. No evidence was offered to satisfy these criteria.

Transportation Improvement Board

Response

Thank you for the opportunity to comment on the draft assessment scorecard for the Washington State Transportation Improvement Board. I have been impressed with the thoroughness of your review, particularly considering the tight timeline and the large scale of the project.

I am disappointed with the yellow light given to TIB in the program effectiveness category. I am concerned that program effectiveness may be misconstrued to refer to the effectiveness of our operating programs rather than to the effectiveness of our use of performance feedback. The TIB believes that our business culture, low overhead (<1.5%) and productivity (377 capital projects under construction in 2002) make us one of the more effective and efficient programs in state government.

The primary reason for the low score in program effectiveness was the newness of our performance monitoring program. The TIB has completely updated its strategic plan and overhauled its performance monitoring program over the past year. As an agency of only 16 staff, the year long strategic planning project was a substantial commitment of resources. I fear we are being graded down for being proactive and focusing our efforts on both strategic planning and performance monitoring.

In addition, we have a consistent and current track record of using performance feedback to modify and improve our programs. I will provide two recent examples. First, we conducted a complete review of our prioritization criteria in early 2002 using, in part, survey and customer comment information solicited for the project (see evidence in attachment 1). Second, I initiated the “Newstreets for Small Cities” program (see attachment 2) using performance data extracted from our database and project files (see attachment 3).

I am proud of the effectiveness of our operating and strategic planning programs. We strive for “straight A’s” and I hope my comments warrant your reconsideration of our assessment. In any case, thank you for the professionalism, good communication and courteous relationship with the KPMG staff, and particularly Mr. Gandhi.

Action

No Action. Two of the evidentiary requirements for the Program Effectiveness criteria

Action cont'd

were a documented performance measurement data collection process and periodic written performance reports. Agency representatives during the assessment interview indicated that the Chief Administrative Officer would be responsible for acting on performance measurement data in the future.